




1971 ANNUAL REPORT

CITY SAVINGS & TRUST COMPANY





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CITY SAVINGS & TRUST COMPANY

HEAD OFFICE

McLeod Building
Edmonton 15, Alberta

BRANCH OFFICES

Toronto

95 Yonge Street 864-1090

Winnipeg

369 Portage Avenue 947-1543

Regina

1861 Hamilton Street 522-2691

Calgary

336 - 7th Avenue, S.W. 266-8851

Edmonton

McLeod Building 429-4811

King Edward Hotel 429-5966

Vancouver

777 Hornby Street 688-9421

Victoria

1306 Douglas Street 383-4141

Member Canada Deposit
Insurance Corporation



Directors and Officers

DIRECTORS

Senator David A. Croll, Q.C.
— Toronto, Ontario, Chairman of the Board
Samuel Belzberg, B.Comm.
— Vancouver, British Columbia, President
Senator Allister Grosart, B.A.
— Toronto, Ontario
William Belzberg
— Calgary, Alberta
Joseph H. Shocter, Q.C.
— Edmonton, Alberta
W. Bernard Herman, Q.C.
— Toronto, Ontario
Hyman Belzberg
— Calgary, Alberta
Morley Koffman
— Vancouver, British Columbia

OFFICERS

Senator David A. Croll, Q.C.
— Chairman of the Board
Samuel Belzberg, B.Comm.
— President and General Manager
William Belzberg
— Vice-President
Joseph H. Shocter, Q.C.
— Secretary
Thomas A. Cross, B.Comm., C.A.
— Assistant General Manager
Allan B. Clark
— Real Estate Manager
Seb Valente
— Chief Property Manager
James Fliczuk, C.A.
— Comptroller
Edward G. Robinson
— Marketing Manager
Margaret Wensink
— Investment Manager

AUDITORS

Deloitte, Haskins & Sells
Chartered Accountants

BANKERS

Bank of Montreal
Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Toronto-Dominion Bank



Advisory Boards



Victoria Advisory Board

(standing from left) Clyde Savage,
David Skillings, Gordon Green
(seated from left) Henry Dougan,
John Chew



Winnipeg Advisory Board

(standing from left) W. A. Rose,
G. Prost (seated from left)
Roland Couture, Phillip Del Bigio
(absent) J. Schimnowski



Regina Advisory Board

(left to right) Donald Grant,
Ian Sutherland, Charles Knight,
R. Mihalicz
(absent) Joseph Kanuka,



Report from the President and Chairman of the Board

City Savings & Trust Company

The past year has been one of record accomplishment for City Savings & Trust Company with customer deposits, revenues and net earnings all reaching their highest levels in nine years of operation. Substantial growth has been achieved in each of our centres of business in Western Canada and we approach our first full scale move into Eastern Canada with a strong reserve position and a high level of liquidity.

Net profit of your company totalled a record \$658,411, a gain of \$155,131 or 30 percent over 1970 earnings of \$503,280. Earnings per share rose from 71 cents to 93 cents and pre-tax profits were up 31 percent from \$925,480 to \$1,212,431. Operating profits after full provision for income taxes but before gains and losses on disposal of equity securities was \$676,959; an increase of 48 percent from \$456,313 in 1970.

One of our most satisfying areas of growth was in customer deposits which climbed to \$58,938,561 at year end, a gain of more than \$11.2 million or almost 24 percent. This was the ninth straight year of growth in deposits and by far the highest annual increase yet achieved, reflecting the value of the extended services we are now able to offer customers.

We have some 24,000 depositors making use of our branch services in Edmonton, Calgary, Winnipeg, Victoria, Regina and Vancouver and we will be looking for further substantial increases this year with the opening of new branches in Alberta and Toronto.

Total revenues from savings, mortgage, property management, and real estate departments amounted to a record \$6,507,425, a rise of 20 percent from the \$5.4 million reported a year earlier. It is interesting to reflect that in nine years, revenues have climbed steadily from \$700,000 to the current level and that in the past three years our revenues have more than doubled.

No company can afford to rest on its laurels and this is particularly true in our highly competitive type of business. In the past year, we have extended our range of services to customers, have made important changes in the balance of our mortgage portfolios, enlarged some branches and investigated new areas which will be in operation in 1972.

MORTGAGE INVESTMENT

Traditionally, City Trust has specialized in servicing the development community with short term interim financing for construction. This has been a highly sought after service and, for us, a highly profitable area of business.

Without neglecting this type of business, we have been moving more funds into the longer term conventional mortgage to gain a greater spread in our portfolio of business, particularly as the company has grown so rapidly in the past few years.

As a result, we are now highly competitive with the older established financial institutions in



Samuel Belzberg, B.Comm.
President



Senator David A. Croll, Q.C.
Chairman of the Board

offering attractive long term mortgage rates. I might add that our mortgage portfolio in the past year has increased by some \$11 million or 36 percent.

NEW PRODUCTS

Following on the personal photo cheques which we introduced a year ago and which have been steadily gaining in popularity among our customers, we have been looking to meet a new demand for investment services. As a result, we are now in a position to service customers in their mutual fund requirements.

An agreement has been reached for City Trust to sell Universal Savings Equity Fund, one of the most successful mutual funds of its kind in Canada. These funds can be purchased in most branches and staff have received training to handle this investment need. At the same time we have taken equity position in the management company. We view this as another step in our objective of developing total one-stop financial services to our customers.

NEW BRANCHES

Our most important new branch development in the past year has been to establish our first savings branch operation in Toronto. A complete year has gone into market study and selection of site, but by the end of February 1972 we will have our first Eastern Canadian branch in full

operation at 95 Yonge Street in the heart of Toronto's financial district.

The new premises have some 4,000 square feet of space in which we will centre our Eastern Operations including the existing property management division in Toronto, our savings deposits and real estate activities.

We are confident that the long period of planning and selection will quickly establish this as a profitable branch and we will be seeking out new locations in the Toronto area to expand our business there.

Co-incidental with this activity, we have also acquired larger, prestige ground floor space in the McLeod Building, Edmonton, which is being renovated to house our savings, mortgage, property management and real estate departments in that city. The extended premises in our head office city will be completed by April, 1972.

For the first time we are also taking a close look at regional shopping centres as areas for branch operations and will make our first move away from central downtown locations with a branch in the new Londonderry Mall Shopping Centre late this year. This large new centre will contain three department stores plus a number of smaller shops and other facilities in an area of expanding population. City Trust will be the only trust company with a branch in the centre. We will be watching the results of our move closely with a view to opening further branches in suburban areas in the years ahead.



REAL ESTATE DIVISION

The expansion of our real estate department which we began two years ago has shown excellent results. Today we have some 80 real estate salesmen working in our western centres. Total real estate production in the past year increased 50 percent, realizing a healthy rate of return to the company.

During the year we extended our real estate activities in Vancouver and opened a new real estate office in the northern part of Calgary.

SHARE OFFERING

Since the end of the fiscal year, City Trust has completed an underwriting of 175,000 common shares at \$11.25 per share, netting the company treasury \$1.8 million. We will be seeking to list the City Trust stock on the Toronto Stock Exchange.

The underwriting has enabled us to increase our capital base and move ahead to a considerable expansion program without the need for new financing and without disrupting the financing and expansion abilities of our parent holding company, First City Financial Corporation Ltd.

STAFF

City Trust now has more than 165 employees including real estate salesmen in its various

operations. The results achieved in the past year are testimony to the excellent job they have done in surpassing our targets and I am confident they will again rise to the challenge presented in 1972.

OUTLOOK

While there has been some improvement in the Canadian economy during the past year, we have still been plagued by several troublesome factors not least of which has been the high level of unemployment and the uncertainty for much of the year over tax reforms. There is every indication that we can look for a gradual improvement in the year ahead, although governments at all levels must still solve the problems of unusually high unemployment levels.

Investor confidence is improving, but it would be rash to expect a sudden upsurge in the economy similar to that experienced in the 1960s. Interest rates, which declined through most of 1971, will, we believe, continue at their present levels and may even drop slightly, although we look for some recovery towards the end of the year.

Our success in the past year has been based on the ability to attract new funds and new customers and to maintain a profitable spread between borrowing and lending rates. With the gradual improvement in economic conditions we are confidently looking forward to another highly successful year in 1972.

David A. Bosc
Samuel Belzberg



Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1971
(with 1970 figures for comparison)

City Savings & Trust Company

	<u>1971</u> \$	<u>1970</u> \$
REVENUE:		
Income from investments	5,272,591	4,550,966
Fees, commissions and other income	1,203,171	847,857
Net rental income (less depreciation; 1971 — \$18,714, 1970 — \$18,096)	<u>31,663</u>	<u>29,195</u>
Total Revenue	<u>6,507,425</u>	<u>5,428,018</u>
EXPENSE:		
Interest on guaranteed account	3,505,556	3,171,152
Salaries and employee benefits	814,821	621,888
Operating and administration	911,684	692,440
Depreciation of office equipment and furnishings	37,319	40,189
Amortization of deferred expenses (Note 2)	<u>7,066</u>	<u>23,836</u>
Total expense	<u>5,276,446</u>	<u>4,549,505</u>
INCOME BEFORE THE UNDERNOTED ITEMS	1,230,979	878,513
NET (LOSS) GAIN ON REALIZATION OF EQUITY INVESTMENTS	<u>(18,548)</u>	<u>46,967</u>
INCOME BEFORE TAXES	<u>1,212,431</u>	<u>925,480</u>
PROVISION FOR INCOME TAXES:		
Current	496,153	401,740
Deferred (Note 3)	<u>57,867</u>	<u>20,460</u>
	<u>554,020</u>	<u>422,200</u>
NET INCOME FOR THE YEAR	<u>658,411</u>	<u>503,280</u>
EARNINGS PER SHARE (Note 7)	<u>\$.93</u>	<u>\$.71</u>

The accompanying notes are an integral part of the financial statements.



Balance Sheet

AS AT DECEMBER 31, 1971 (with 1970 figures for comparison)

City Savings & Trust Company (Incorporated by Special Statute, Province of Alberta)

ASSETS

	1971 \$	1970 \$
CASH AND CERTIFICATES OF DEPOSIT:		
Cash	689,126	1,246,840
Deposit receipts of chartered banks	801,848	708,776
Short term notes	4,787,747	1,869,370
	<u>6,278,721</u>	<u>3,824,986</u>
INVESTMENTS (Note 1):		
Securities:		
Government bonds	7,097,578	8,085,777
Corporate bonds	4,677,605	5,415,663
Stocks	3,820,504	3,563,684
	<u>15,595,687</u>	<u>17,065,124</u>
Mortgages and secured loans	41,665,886	30,608,854
Real Estate	528,218	750,088
	<u>57,789,791</u>	<u>48,424,066</u>
Total cash, certificates of deposit and investments	64,068,512	52,249,052
ACCOUNTS RECEIVABLE:		
Investment Brokers	80,257	273,874
Other, including fees and commissions	494,711	283,673
PREPAID EXPENSES	86,590	18,498
PREMISES, OFFICE EQUIPMENT AND FURNISHINGS — at cost less accumulated depreciation	—	215,119
DEFERRED EXPENSES — at cost less amounts written off (Note 2)	3,446	7,066
TOTAL ASSETS	<u><u>64,733,516</u></u>	<u><u>53,047,282</u></u>

The accompanying notes are an in

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971 \$	1970 \$
GUARANTEED ACCOUNT:		
Savings deposits	13,748,046	9,679,934
Investment certificates	45,190,515	37,968,359
	58,938,561	47,648,293
ACCOUNTS PAYABLE:		
Investment Brokers	469,879	911,247
Other	284,938	193,461
Income taxes	94,760	85,187
	849,577	1,189,895
DEFERRED CREDITS:		
Mortgage fees	393,228	288,391
Income taxes (Note 3)	195,888	138,021
	589,116	426,412
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized — 2,500,000 shares of a par value of \$2 each		
Issued and fully paid — 706,927	1,413,854	1,413,854
Surplus and reserve	2,942,408	2,368,828
	4,356,262	3,782,682
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	64,733,516	53,047,282

APPROVED BY:

David A. Boer

CHAIRMAN OF THE BOARD

Samuel Belzberg

PRESIDENT AND GENERAL MANAGER

part of the financial statements.



Statement of Surplus and Reserve

FOR THE YEAR ENDED DECEMBER 31, 1971

(with 1970 figures for comparison)

City Savings & Trust Company

	1971 \$	1970 \$
EARNED SURPLUS:		
Balance at beginning of the year	1,428,750	1,088,467
Adjustment of prior years' income taxes (Note 6)	—	78,166
As restated	1,428,750	1,010,301
Net income for the year	658,411	503,280
	2,087,161	1,513,581
Less dividends	84,831	84,831
Balance at end of the year	2,002,330	1,428,750
CONTRIBUTED SURPLUS:		
Balance at beginning and at end of the year	440,078	440,078
GENERAL RESERVE:		
Balance at beginning and at end of the year	500,000	500,000
TOTAL SURPLUS AND RESERVE	2,942,408	2,368,828

The accompanying notes are an integral part of the financial statements.



Statement of Source and Use of Funds

FOR THE YEAR ENDED DECEMBER 31, 1971

(with 1970 figures for comparison)

City Savings & Trust Company

	1971 \$	1970 \$
SOURCE OF FUNDS:		
Net income for the period	658,411	503,280
Add: Depreciation, amortization and deferred taxes	<u>117,521</u>	<u>102,581</u>
Funds from operations	775,932	605,861
Customer deposits — net	11,290,268	6,027,874
Sale of securities — net	<u>1,469,437</u>	—
Sale of premises, equipment and furnishings — net	<u>177,800</u>	—
Sale of real estate — net	<u>203,155</u>	—
	<u>13,916,592</u>	<u>6,633,735</u>
USE OF FUNDS:		
Invested in securities — net	—	3,424,573
Invested in mortgages and secured loans — net	<u>11,057,032</u>	<u>4,408,548</u>
Additions to premises and equipment — net	—	65,598
Additions to real estate — net	—	<u>237,639</u>
Payment of dividends	<u>84,831</u>	<u>84,831</u>
Other	<u>320,994</u>	<u>(169,796)</u>
	<u>11,462,857</u>	<u>8,051,393</u>
INCREASE (DECREASE) IN FUNDS FOR THE YEAR	<u>2,453,735</u>	<u>(1,417,658)</u>
CASH AND CERTIFICATES OF DEPOSIT AT BEGINNING OF THE YEAR	<u>3,824,986</u>	<u>5,242,644</u>
CASH AND CERTIFICATES OF DEPOSIT AT END OF THE YEAR	<u>6,278,721</u>	<u>3,824,986</u>

The accompanying notes are an integral part of the financial statements.



Notes to the Financial Statements

December 31, 1971

1. INVESTMENTS

The investments in securities are recorded at cost or amortized cost plus accrued income.

The market values are:

	DECEMBER 31, 1971 \$	DECEMBER 31, 1970 \$
Government bonds	6,167,279	6,684,210
Corporate bonds	4,240,607	4,724,869
Stocks	3,269,312	2,798,024
	<u>13,677,198</u>	<u>14,207,103</u>

The Alberta Trust Companies Act, 1967, permits bonds issued by or guaranteed by governments and bonds of corporations having a net shareholder equity of at least \$10,000,000 to be shown at amortized values and other securities to be valued at market, as undernoted:

	DECEMBER 31, 1971 \$	DECEMBER 31, 1970 \$
Government bonds	7,129,853	8,112,994
Corporate bonds	4,614,480	5,304,443
Stocks	3,269,312	2,798,024
	<u>15,013,645</u>	<u>16,215,461</u>

Mortgages and secured loans are recorded at cost plus accrued interest less repayments thereon. Real estate is recorded at cost, 1971, \$572,700, 1970 \$780,291 less accumulated depreciation of 1971 \$44,482, 1970 \$30,203.

2. DEFERRED EXPENSES

Includes costs of opening branch offices, advertising and promotion expense pertaining to the acquisition of new business, together with incorporation and registration fees. These are being amortized over a five year period commencing with the year the expenses were incurred.

3. DEFERRED INCOME TAXES

The deferred portion of the annual provision for income taxes shown in the statement of income is the amount by which the income taxes otherwise payable in respect of the year have been reduced by claiming certain expenses for tax purposes in excess of amounts recorded in the accounts.

The resulting tax reduction is included in the balance sheet item, Deferred Income Taxes, which will be brought into income in those future years in which expenses claimed for income tax purposes are less than those recorded in the accounts.

4. LONG TERM LEASES

The Company's premises, equipment and furnishings are held under long term leases extending for varying terms up to a maximum of eleven years. The aggregate amount of rentals in respect of long term leases in the year ended December 31, 1971 was \$167,811. The minimum annual rental payable under all leases currently in force during the next five years is \$235,000.

5. STATUTORY REGULATIONS

The Alberta Trust Companies Act, 1967, disqualifies certain types of transactions which were previously allowable. At December 31, 1971 the company continues to hold investments of this type which are being progressively reduced.

During the year the company made an investment in a mortgage which exceeded the maximum amount allowable by the Act due to the withdrawal of a co-lender after the commitment was made. Subsequent to December 31, 1971 a principal repayment as well as the issuance of new share capital (Note 8) will bring the mortgage into compliance with the Act.

6. PRIOR YEARS' INCOME TAXES

During 1970, the Company was reassessed for income taxes applicable to the years prior to 1969 in the amount of \$78,166. The Company has accepted the reassessment to the extent of \$46,463, plus a portion of the \$6,944 interest charged on the increased tax. However, the Company disputes a further amount of \$24,759 for which it has filed a Notice of Objection.

7. EARNINGS PER SHARE

Earnings per share are based on the weighted average number of shares outstanding during the year.

8. SUBSEQUENT EVENTS

The Company has entered into an agreement dated January 28, 1972 for the sale of 175,000 common shares with a par value of \$2 each at an issue price of \$11.25 per share. The net proceeds to be derived by the Company from this sale, estimated at \$1,820,000 will be added to the general funds of the Company.



Auditors' Report

DELOITTE, HASKINS & SELLS

Offices across Canada and associated firms throughout the world Chartered Accountants

602 BANK OF MONTREAL BUILDING, EDMONTON, ALBERTA

To the Shareholders of City Savings & Trust Company:

We have examined the balance sheet of City Savings & Trust Company as at December 31, 1971 and the statements of income and of surplus and reserve and of source and use of funds for the year then ended and have obtained all the information and explanations we have required. As part of our examination, which included a general review of accounting procedures and such tests of accounting records as we considered necessary in the circumstances, we verified the cash and securities of the company.

In our opinion, and according to the best of our information and the explanation given to us and as shown by the books of the company, these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and use of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

All transactions of the company that have come within our notice have been within the powers of the company, except as stated in Note 5 to the Financial Statements.

Deloitte, Haskins & Sells

February 11, 1971.

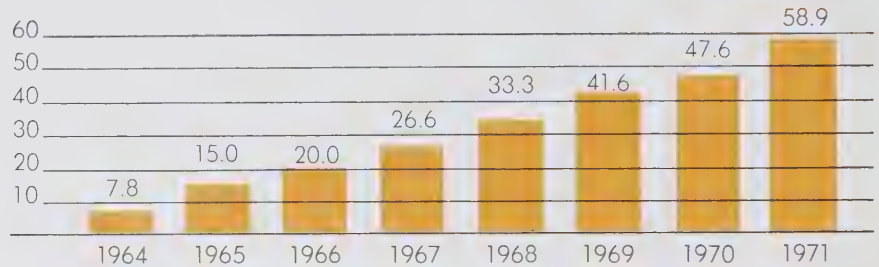
Auditors.

Graphical Analysis — 1971

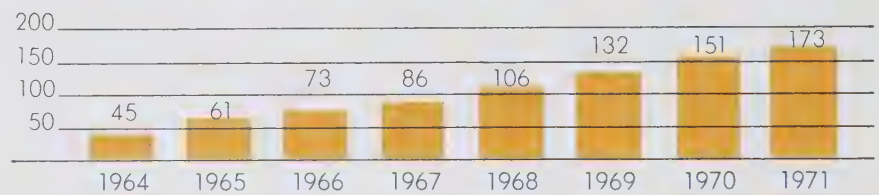
City Savings & Trust Company



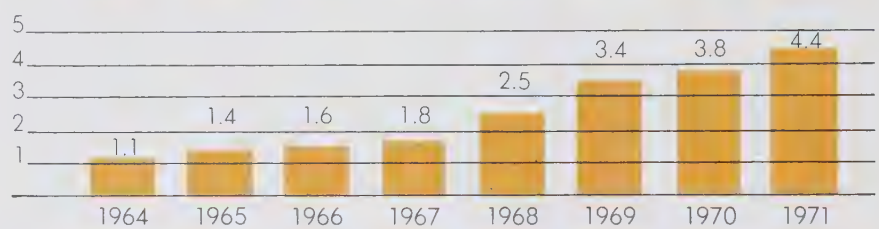
Deposits
Millions of dollars



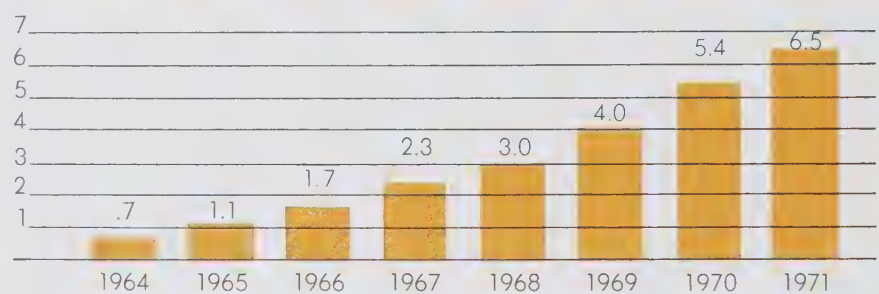
Total Assets Under Administration
Millions of dollars



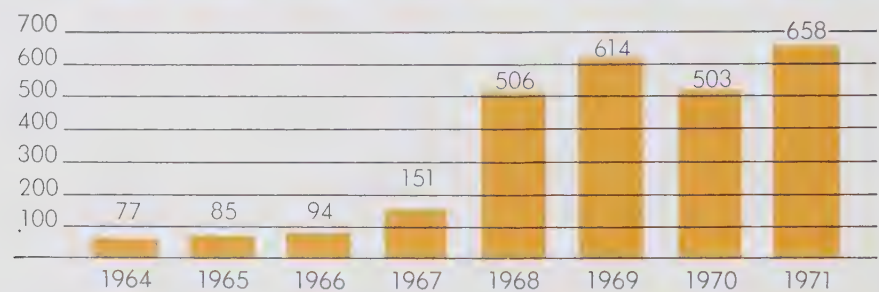
Shareholders' Equity
Millions of dollars



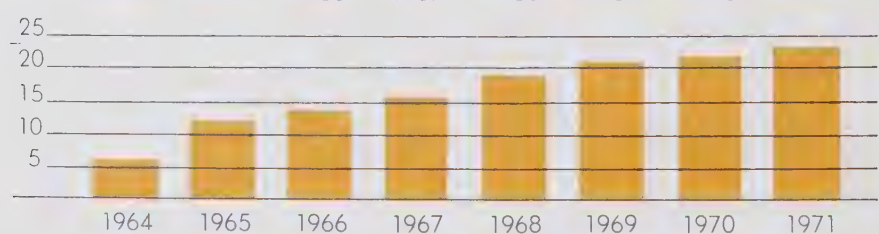
Schedule of Gross Revenues
Millions of dollars



Net Earnings
Thousands of dollars



Growth of Accounts
Thousands of accounts





Services and Products

CHEQUING ACCOUNTS

City Trust, in keeping with the personalized service aspect of chequing accounts, has developed "Personal Photo Cheques". These cheques bear a picture of the customer and provide instant identification. This service is completely free and as a continuing convenience to our customers, monthly statements, together with cancelled cheques, are available upon request. Arrangements may be made for automatic transfers to a high interest savings account or for the purchase of Guaranteed Investment Certificates. Interest is not paid on Chequing Accounts.

SAVINGS ACCOUNTS

A regular savings programme is an essential part of planned financial security. Savings account interest is calculated on the minimum monthly balance. No cheques may be issued on this type of account, however personal withdrawals or withdrawals by mail may be made for your convenience.

GUARANTEED INVESTMENT CERTIFICATES

Guaranteed Investment Certificates may be purchased for amounts of \$500 or more and interest may be paid either quarterly, semi-annually or left to maturity. Interest rates are based upon the term you select. Certificates are to be held to maturity except in the event of the death of the registered holder whereupon the principal and accrued interest may be paid to the estate upon application by the Executor.

SHORT TERM DEPOSITS

Short Term Deposits are available for amounts over \$10,000 for periods between one and 364 days or on a demand basis. City Trust's competent investment management team has immediate access to various money markets in Canada and can provide instant quotations on sums over \$50,000. Short Term Deposits are ideally suited for instances where long range investment is precluded. Current interest rates may be obtained from your nearest branch.

PERSONAL AND CORPORATE TRUST

City Trust has a full range of personal and corporate trust services, and offers a full range of Transfer Agent and Registrar services including issuance of share certificates, maintenance of shareholders' record and transfer ledger, disbursement of dividends, mailing of reports and preparation of shareholder's lists. City Trust also offers services as Trustee for bond and debenture issues.

City Trust officers have considerable experience in dealing with the complicated matters of estate disposal and estate planning. We are organized to handle all aspects of estate management and trusteeship. By nominating City Savings & Trust Company as your executor and trustee you embrace all of our services facilitating the settlement of your estate quickly and efficiently.



ALL DEPOSITS

ALL INVESTMENT PRODUCTS ARE LEGAL INVESTMENTS FOR TRUSTEES IN THE PROVINCES OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA AND ONTARIO. CITY SAVINGS & TRUST COMPANY IS A MEMBER OF THE CANADA DEPOSIT INSURANCE CORPORATION AND THE TRUST COMPANIES ASSOCIATION OF CANADA.

REGISTERED RETIREMENT SAVINGS PLANS

A City Trust R.R.S.P. will provide for your retirement years and give you tax relief today. Tax relief is granted on contributions deposited to the plan which depend on your annual income. These contributions are invested at a maximum interest rate ensuring the highest rate of return on retirement savings. You may select any retirement date but your pension must commence no later than your 71st birthday. Under the terms of the plan the trustee requires 90 days notice of your retirement.

MORTGAGES

City Trust is playing a continuing role in the development and growth of Western Canada through the investment of deposits in the form of mortgage financing. Mortgage funds are available on both an interim and conventional basis on commercial and residential properties. In addition to placing mortgage financing on both new and existing properties, City Trust is prepared to assist buyers and sellers in the purchase of mortgages and the sale of portfolios.

REAL ESTATE

Real Estate Divisions are established in all branch centres engaging the services of highly qualified personnel, experienced in both commercial and residential real estate sales. City Trust real estate divisions offer a GUARANTEED SALES PLAN which GUARANTEES THE SALE OF YOUR HOME. City Trust real estate divisions will assist purchasers and vendors in the purchase and sale of real estate and can provide special consultation for land assembly and appraisals.

PROPERTY MANAGEMENT

City Trust offers real estate investors complete co-ordinated services which can relieve them of the time consuming responsibilities connected with income-producing real estate. Through the services of City Trust an investor in income-producing real estate can operate efficiently and economically in any part of Canada without having to be there in person. Specializing in renting, leasing and servicing of industrial, commercial and residential properties, the property management division of City Trust is organized to give complete management and accounting services.

